



## H.R. 5715 – Ensuring Continued Access to Student Loans Act of 2008

### EXECUTIVE SUMMARY

H.R. 5715 was introduced by Representative George Miller (D-CA). The Committee on Education and Labor approved the bill, as amended, by voice vote on April 9, 2008. It is expected to be considered on the House floor on April 16, 2008.

Over the past several weeks, many private student lenders have announced that they will stop issuing federally guaranteed loans because the upheaval in the credit markets has made it difficult to obtain the necessary capital to finance college loans.

H.R. 5715 gives the Secretary of Education the authority to purchase student loans from lenders for one year. It also increases the unsubsidized Stafford loan limits and provides an optional grace period that permits parents to defer PLUS loan payments until after their children graduate.

According to preliminary estimates from the Congressional Budget Office, enacting the bill would decrease direct spending by \$455 million over the 2008-2013 period and by \$645 million over the 2008-2018 period. Included in the rule for consideration of the bill was a self-enacting amendment intended to clarify that the bill would not result in additional costs for the government.

### FLOOR SITUATION

H.R. 5715 is being considered on the floor under a structured rule. The Rule:

- Provides one hour of general debate equally divided and controlled by the Chairman and Ranking Republican Member of the Committee on Education and Labor.
- Waives all points of order against consideration of the bill except those arising under clause 9 (earmarks) or 10 (PAYGO) of rule XXI.
- Provides that the amendment printed in Part A of the Rules Committee report accompanying this resolution shall be considered as adopted in the House and in the Committee of the Whole.
- Provides that the bill, as amended, shall be considered as read.
- Waives all points of order against provisions of the bill, as amended. This waiver does not affect the point of order available under clause 9 of rule XXI (regarding earmark disclosure).
- No further amendments to the bill, as amended, shall be in order except those amendments printed in Part B of the Rules Committee report accompanying the resolution.
- Provides that the further amendments made in order may be offered only in the order printed in the report, may be offered only by a Member designated in the report, shall be considered as read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall



# LEGISLATIVE DIGEST

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not be subject to a demand for division of the question in the House or in the Committee of the Whole.

- Waives all points of order against the further amendments printed in the report except for clauses 9 and 10 of rule XXI.
- Provides one motion to recommit with or without instructions.
- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of the bill to a time designated by the Speaker.

This legislation was introduced by Representative George Miller (D-CA) on April 8, 2008. The Committee on Education and Labor approved the bill, as amended, by voice vote on April 9, 2008.

H.R. 5715 is expected to be considered on the House floor on April 16, 2008.

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## BACKGROUND

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Over the past several weeks, many private student lenders have announced that they will stop issuing federally guaranteed loans because the upheaval in the credit markets has made it difficult to obtain the necessary capital to finance college loans. Borrowers who rely on student loans to help finance their higher education will be faced with increased borrowing costs or could lose access to these loans.

The federal government provides student loans under the Federal Family Education Loan (FFEL) program and the William D. Ford Direct Loan program. FFEL program loans are originated by private lenders, and the federal government acts as a backstop to protect the private lenders from loss due to borrower default, death, or permanent disability. The program includes subsidized Stafford loans (the federal government pays interest on the loans while the student is enrolled in school); unsubsidized Stafford loans; PLUS loans (loans available to the parents of dependent undergraduate and graduate students); and Consolidation loans. FFEL guaranty agencies may serve as lenders-of-last resort to ensure access to student loans. There are 2,000 lenders in the FFEL programs with the majority of their loans made by the top 25 lenders.

The William D. Ford Direct Loan program provides the same classes of loans as the FFEL program. However, under the Direct Loan program the federal government provides loans directly to students and their families using federal capital and retains ownership of the loans. Direct loans accounts for approximately 20 percent of the total loan volume and \$18.5 billion in student debt.

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## SUMMARY

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Stafford Loan Limits: H.R. 5715 increases annual unsubsidized loan limits for students by \$2,000 for undergraduate students. It also raises the aggregate loan limits to \$31,000 for dependents and to \$57,500 for independent undergraduate students.

PLUS Loans: H.R. 5715 provides an optional grace period that permits parents to defer PLUS loan payments until after their children graduate. In addition, the bill expands the exception for "extenuating circumstances" to permit lenders to utilize their discretion to lend to borrowers who are 180 days delinquent on their home mortgage eligible to borrow.

*\*Note: Currently, lenders cannot lend to borrowers with an adverse credit history unless the lender determines extenuating circumstances exist.*



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**Lender-of-Last Resort:** The bill would allow students attending an entire institution of higher education to be eligible to receive loans through the lender-of-last resort provisions.

*\*Note: Under current law, lender-of-last resort loans can only be made to borrowers who can show they have been denied by two lenders.*

**Temporary Authority to Purchase Student Loans:** H.R. 5715 gives the Secretary of Education the authority to purchase student loans from lenders for one year. This provision requires that the funds paid to the eligible lender shall be used to ensure their continued participation in Federal student loan programs and make new loans.

**Sense of Congress:** The bill provides that it is the Sense of Congress that Federal financial institutions should use authorities available to them to ensure that students and families can access student loans for academic year 2008-2009.

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## AMENDMENTS

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**Self Executing Amendment included in the Rule:** The amendment further clarifies the authority of the Secretary of Education to purchase loans, and ensures that loan purchases will result in no net cost to the federal government by including the Secretary of the Treasury and the Director of the Office of Management and Budget in the decision making process and thereby ensures compliance with the new PAYGO rules.

*(Below are the summaries of the amendments that were made in order by the Rules Committee and may be offered on the floor of the House of Representatives)*

**Rep. George Miller (D-CA): Manager's Amendment.** The Manager's amendment makes technical and conforming changes; states that loan limit increases available under this Act are available only to students meeting the requirements of section 484(a) of the HEA; targets the loan limit increases to those students and families in most need; in regard to school-wide lender-of-last-resort eligibility, specifies that the Secretary of Education shall determine whether a school qualifies and provides criteria for the Secretary to consider in making the determination; specifies that funds received by lenders from loan sales be used to originate new loans; clarifies that the Secretary has the authority to enter into forward commitments to purchase new loans; and clarifies that, at the discretion of the Secretary, a loan purchased by the Secretary may continue to be serviced by the current lender.

**Rep. Petri (R-WI):** The amendment would require the Secretary of Education to review and revise as necessary the regulations concerning prohibited guaranty agency inducements to ensure that such agencies do not engage in improper inducements as lenders-of-last resort.

**Reps. Castle (R-DE) / Welch (D-VT):** The amendment requires the General Accountability Office to conduct a study of the impact of raising loan limits on (1) tuition, fees, and room and board at institutions of higher education; and (2) private loan borrowing for attendance at institutions of higher education.

**Rep. Castor (D-FL):** The amendment temporarily classifies medical bill payment delinquencies of up to 180 days an extenuating circumstance which shall not interfere with parents' ability to receive PLUS loans for their children's tuition.



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## COST

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According to preliminary estimates from the Congressional Budget Office, enacting the bill would decrease direct spending by \$455 million over the 2008-2013 period and by \$645 million over the 2008-2018 period. ([CBO Estimate for H.R. 5715](#))

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## ADDITIONAL VIEWS

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**Statement of Administration Policy:** The Statement of Administration Policy outlines the Administration's overall support for the bill, while highlighting their concerns regarding the potential effects of raising student-loan limits as well as provisions that are duplicative of existing law. ([SAP for H.R. 5715](#))

**House Education and Labor Committee Republicans:** "The troubles facing our financial markets and our economy as a whole are daunting. But we would do a real disservice to students and families if we dismissed the challenges in the student loan program as merely a symptom of a larger problem that is outside our control...Committee Republicans strongly believe that H.R. 5715 is not the only answer to ensuring uninterrupted access to student loans for the millions of students and families now preparing for the upcoming academic year. It is, at best, one small piece of the puzzle." (Republican Views included in the Committee Report, 4/14/2008)

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## STAFF CONTACT

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For questions or further information contact Shea Loper at (202) 226-2302.